



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

JUN 3 2001

MEMORANDUM FOR DISTRIBUTION

Subj: INTERIM GUIDANCE - PROCEDURES FOR RECORDING
OBLIGATIONS PRIOR TO DISBURSEMENT AND FOR OBLIGATING
OVERAGED PROBLEM DISBURSEMENTS

Ref: (a) DoD FMR 7000.14-R, Volume 3, Chapter 8
(b) DoD FMR 7000.14-R, Volume 3, Chapter 11
(c) OASN(FM&C) memo of 10 Apr 01

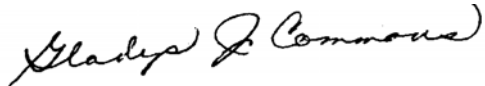
End: (1) Interim Guidance: Procedures Required for
Recording Obligations Prior to Disbursement and
for Obligating Overaged Problem Disbursements

By references (a) and (b) requirements for establishing obligations have been modified to improve payment of invoices and to reduce problem disbursements. This memo provides interim guidance which addresses these revisions by providing procedures for establishing unrecorded obligations prior to the payment of invoices as delineated in reference (a) and for obligating overaged problem disbursements created on or after 1 October 2000 as delineated in reference (b). These procedures apply to the General Fund (GF) and Navy Working Capital Fund (NWCF). Major Commands and NWCF activities will be given the opportunity to take appropriate corrective action within a specific timeframe prior to the required Defense Finance and Accounting Service (DFAS) action specified in references (a) and (b). Enclosure (1) provides the guidance which has been coordinated with DFAS. This interim guidance supplements the procedures delineated in reference (c)

To ensure successful implementation of this guidance, a primary and alternate point of contact for each major command, field activity, and NWCF activity must be designated. DFAS will provide these points of contact the necessary documentation for resolution. Provide the point of contact information to Ms. Paolina Pellegrino via e-mail at pellegrino.paolina@fmo.navy.mil and to your servicing DFAS field site within ten days of receipt of this memorandum.

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Principal Deputy
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**Interim Guidance: Procedures Required For Recording Obligations
Prior To Disbursement And For Obligating Overaged Problem
Disbursements**

I. Introduction

This interim guidance provides for implementing the revised Department of Defense (DoD) Financial Management Regulation (FMR) Volume 3, Chapters 8 and 11. This guidance supplements the Assistant Secretary of the Navy (Financial Management and Comptroller) memo of 10 April 2001, Interim Guidance For Obligating Overaged Unmatched Disbursements (UMDs) and Negative Unliquidated Obligations (NULOs). These procedures apply to the GF and NWCF.

To review Chapters 8 and 11 in their entirety, see <http://www.dtic.mil/comptroller/fmr>.

**II. Procedures For Implementing Revised FMR, Volume 3,
Chapters 8 and 11**

The revised procedures in Chapters 8 and 11 pertain to obligations that have been incurred but have not been recorded or have not been recorded correctly. Chapter 8 revisions refer to unrecorded obligations prior to disbursement (i.e., payment of the invoice). Chapter 11 revisions refer to unrecorded obligations that correspond to problem disbursements, specifically UMDs and NULOs, paid on or after 1 October 2000.

A. Recording Obligations Prior to Disbursement

1. FMR reference. See Volume 3, paragraphs 080301A and B and 081401A and B.

2. Procedures. These procedures encompass a dollar threshold less than or greater than \$2,500.00 and two primary timeframes that are referred to in this guidance as the Three-Day and Ten-Day Rules. Both the dollar threshold and timeframes apply to the GF and NWCF environments.

(a) GF. When an obligation has been incurred but is unrecorded and a valid obligating document is available, the accounting office (i.e., DFAS) should follow the procedures below:

Dollar Amount is Less Than or Equal to \$2,500.00. Notify the fund holder (i.e., major command point of contact) that the obligation must be recorded within three calendar days. If the fund holder fails to record the obligation within three calendar days then the accounting office must obligate immediately.

Dollar Amount is Greater Than \$2,500.00. Notify the fund holder that the obligation must be recorded within ten calendar days. If the fund holder fails to record the obligation within ten calendar days then the accounting office must obligate immediately.

(b) NWCF. When an obligation has been incurred but is unrecorded and the valid documentation (i.e., obligating and receipt documents) is available, the accounting office (i.e., DFAS) should follow the procedures below:

Dollar Amount is Less Than or Equal to \$2,500.00. Notify the fund holder (i.e., NWCF activity point of contact) that the obligation and accounts payable must be recorded within three calendar days. If the fund holder fails to record the obligation and accounts payable within three calendar days, then the accounting office must pay as a transaction for others (TFO), which may result in a UMD.

Dollar Amount is Greater Than \$2,500.00. Notify the fund holder that the obligation and accounts payable must be recorded within ten calendar days. If the fund holder fails to record the obligation within ten calendar days, then the accounting office must pay as a TFO, which may result in a UMD.

3. Summary. A summary of the revised procedures (sections II.A.2.a. and II.A.2.b.) appears in the table below:

DFAS Action	
\$Threshold	
<= \$2,500	<ul style="list-style-type: none"> • Apply 3-Day Rule • If Obligation / Accounts Payable Unrecorded <u>After 3</u> Calendar Days: <ul style="list-style-type: none"> ➤ For GF - Obligate ➤ For NWCF – Pay as TFO
> \$2,500	<ul style="list-style-type: none"> • Apply 10-Day Rule • If Obligation / Accounts Payable Unrecorded <u>After 10</u> Calendar Days: <ul style="list-style-type: none"> ➤ For GF – Obligate ➤ For NWCF – Pay as TFO

B. Obligating Problem Disbursements

1. FMR reference. See Volume 3, paragraphs 110501A -

C.

2. Procedures. This section contains procedures for obligating overaged problem disbursements for two scenarios:

(1) when the accounting office has the appropriate documentation, and (2) when the accounting office does not have the appropriate documentation. In the first scenario, the \$2,500.00 threshold and Three-Day and Ten-Day Rules (see section II.A. above) apply. In the second scenario, the 120-Day Rule for collocated disbursements and the 180-Day Rule for noncollocated disbursements apply. (See sections II.B.2.b. below for collocated and non-collocated disbursements.)

(a) Accounting Office Has Documentation. When an accounting office (i.e., DFAS) has the obligating/disbursement documents that correspond to an UMD or NULO, the accounting office should follow the procedures below for GF and NWCF.

- (1) GF. When the dollar amount is:

Less Than or Equal to \$2,500.00. Notify the fund holder (i.e., major command point of contact) that the obligation must be recorded or corrected within three calendar days and provide the fund holder with a copy of the appropriate documentation. If the fund holder fails to take appropriate action within three calendar days, then the accounting office must obligate or correct immediately and notify the fund holder of the action taken.

Greater Than \$2,500.00. Notify the fund holder that the obligation must be recorded or corrected within ten calendar days and provide the fund holder with a copy of the appropriate documentation. If the fund holder fails to take appropriate action within 10 calendar days, then the accounting office must obligate or correct immediately and notify the fund holder of the action taken.

(2) NWCF. When the dollar amount is:

Less Than or Equal to \$2,500.00. Notify the fund holder (i.e., NWCF activity point-of-contact) that the obligation must be recorded or corrected within three calendar days and provide the fund holder with a copy of the appropriate documentation. If the fund holder fails to record or correct the obligation within three calendar days, then the accounting office must report the fund holder to the Office of Financial Operations (FNO). (NOTE: FMO will take corrective action for those fund holders with a recurring record of noncompliance with this procedure.)

Greater Than \$2,500.00. Notify the fund holder that the obligation must be recorded or corrected within ten calendar days and provide the fund holder with a copy of the appropriate documentation. If the fund holder fails to record or correct the obligation within ten calendar days, then the accounting office must report the fund holder to FMO. (NOTE: FMO will take corrective action for those fund holders with a recurring record of noncompliance with this procedure.)

(b) Accounting Office Does Not Have Documentation. The procedures below pertain to collocated and non-collocated disbursements when the accounting office does not have the appropriate documentation.

Collocated Disbursement. When an accounting office (i.e., DFAS) does not have an obligating document corresponding to a collocated disbursement that has resulted in a UMD or NULO, the accounting office should follow the procedures below:

Immediately inform the fund holder of the UMD or NULO and research the cause of the UMD or NULO.

Conduct research as detailed in section 1107 of Volume 3 and provide the fund holder with the results within 60 calendar days of identification of the UMD or NULO.

Request that the fund holder record an obligation or obligation adjustment within 60 subsequent calendar days of notice.

If the fund holder fails to record the obligation or obligation adjustment within the prescribed timeframe, record an obligation within ten subsequent calendar days using the disbursement document as supporting documentation. Notify fund holder of action taken.

Non-located Disbursement. When an accounting office (i.e., DFAS) does not have an obligating document corresponding to a non-located disbursement that has resulted in a UMD or NULO, the accounting office should follow the procedures below:

Immediately inform the fund holder of the UMD or NULO and research the cause of the UND or NULO.

Conduct research as required by section 1107 of Volume 3 and provide the fund holder with the results within 120 calendar days of identification of the UMD or NULO.

Request that the fund holder record an obligation or obligation adjustment within 60 subsequent calendar days of notice.

If the fund holder fails to record the obligation or obligation adjustment within the prescribed timeframe, record an obligation within ten subsequent calendar days using the disbursing document as supporting documentation. Notify fund holder of action taken.

3. Summary. A summary of the revised procedures (section II.B.2.) appears in the table below:

Scenario 1: DFAS Has Documentation	
\$Threshold	DFAS Action
≤ \$2,500	<ul style="list-style-type: none"> • Apply 3-Day Rule • If Obligation Unrecorded or Not Corrected <u>After 3</u> Calendar Days: <ul style="list-style-type: none"> ➤ For GF – Obligate or Correct ➤ For NWCF – Report Fund Holder to ASN(FM&C)
> \$2,500	<ul style="list-style-type: none"> • Apply 10-Day Rule • If Obligation Unrecorded or Not Corrected <u>After 10</u> Calendar Days: <ul style="list-style-type: none"> ➤ For GF – Obligate or Correct ➤ For NWCF – Report Fund Holder to ASN(FM&C)
Scenario 2: DFAS Does Not Have Documentation	
Disbursement	DFAS Action
Collocated	<ul style="list-style-type: none"> • Apply 120-Day Rule • If Obligation Unrecorded or Not Corrected <u>After 120</u> Calendar Days, Obligate or Correct <i>Within 10</i> Calendar Days based on disbursement documentation.
Noncollocated	<ul style="list-style-type: none"> • Apply 180-Day Rule • If Obligation Unrecorded or Not Corrected <u>After 180</u> Calendar Days, Obligate or Correct <i>Within 10</i> Calendar Days based on disbursement documentation.